

UNCLASSIFIED

RELEASED IN FULL

E32
Page: 1

Current Class: UNCLASSIFIED
Current Handling: n/a
Document Number: 1986BOGOTA15921

Channel: n/a

UNCLASSIFIED

PAGE 01 BOGOTA 15921 01 OF 03 121713Z
ACTION EB-08

INFO LOG-00 COPY-01 ADS-00 AID-00 INR-10 CIAE-00 DODE-00
H-01 EXIM-06 ARA-00 NSAE-00 STRE-00 LAB-04 ITC-01
OPIC-07 OMB-01 STR-17 FRB-01 USIE-00 JUSE-00 SP-02
/059 W

-----210744 121902Z /40 38

R 121711Z NOV 86
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC 2558
INFO USDOC WASHDC
DEPTTREAS WASHDC

UNCLAS SECTION 01 OF 03 BOGOTA 15921

DEPT PLS PASS TO USTR FOR BETSY STILLMAN
DEPARTMENT FOR INR/B

E.O. 12356: N/A

TAGS: EPET, EFIN, ECON, ETRD, PINR, CO
SUBJECT: COLOMBIAN ECONOMIC NOTES

1. CONTENTS:

2. CENTRAL BANK MANAGER POINTS OUT SEVEN MEASURES TO
CONTROL INFLATION

3. MONETARY AUTHORITY FACILITATES PAYMENTS OF FOREIGN
DEBT

4. CANO LIMON PRODUCES 170 THOUSAND BARRELS OF CRUDE
OIL PER DAY

5. GOC ANNOUNCES A DRASTIC AUSTERITY PROGRAM FOR THE
ELECTRICAL SECTOR

6. BAD WINTER AFFECTING COLOMBIA

7. YEN CREDIT FOR ECOPETROL

8. GOC PRESENTS TAX REFORM BILL TO CONGRESS

2. CENTRAL BANK MANAGER POINTS OUT SEVEN MEASURES TO
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BOGOTA 15921 01 OF 03 121713Z

CONTROL INFLATION: FRANCISCO ORTEGA, GENERAL MANAGER
OF THE CENTRAL BANK, IN HIS JUNE EDITORIAL, POINTED OUT
SEVEN SPECIFIC MEASURES TO CONTROL INFLATION:

Current Class: UNCLASSIFIED

Page: 1

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J. OLSON
DATE/CASE ID: 24 OCT 2002 200201334

UNCLASSIFIED

UNCLASSIFIED

Current Class: UNCLASSIFIED
Current Handling: n/a
Document Number: 1986BOGOTA15921

Page: 2

Channel: n/a

- CONTINUATION OF CONTRACTIONARY MONETARY POLICY THROUGH OPEN MARKET OPERATIONS
- MAINTAINING FISCAL ADJUSTMENT EFFORTS BEING APPLIED BY THE GOVERNMENT
- STABILIZATION OF STAPLE FOOD SUPPLY
- STORAGE OF FOOD SURPLUSES AND DEVELOPMENT OF PACKING AND HANDLING TECHNIQUES
- CROP PLANNING
- REACH AGREEMENTS WITH NEIGHBOR GOVERNMENTS TO CURB CONTRABAND
- CAREFUL SALARY POLICY.

IN COLOMBIA, HIGH INFLATION RATES ARE ATTRIBUTABLE TO CHANGES IN FOOD PRICES MORE THAN ANYTHING ELSE. A COMPREHENSIVE POLICY OF PRODUCTION AND COMMERCIALIZATION OF FOOD STAPLES COULD ACT AS A STABILIZING AGENT FOR THE WHOLE ECONOMY. ORTEGA'S EDITORIAL WAS PUBLISHED IN TIME FOR THE INITIATION OF THE CONGRESSIONAL DEBATE ON THE NEW AGRARIAN REFORM PROPOSAL PRESENTED BY THE NEW ADMINISTRATION. IN THE PAST, COLOMBIA HAS TRIED TO IMPLEMENT SEVERAL AGRARIAN REFORMS AIMED AT LAND REDISTRIBUTION AND IMPROVED AGRICULTURE PRODUCTION, LARGEMLY WITHOUT SUCCESS.

3. MONETARY AUTHORITY FACILITATES PAYMENT OF FOREIGN DEBT: THE COLOMBIAN MONETARY BOARD ISSUED RESOLUTION 84 ON OCTOBER 4 EXTENDING UNTIL OCTOBER 10 THE PERIOD FOR OBTAINING FOREIGN EXCHANGE LICENSES TO CANCEL PENDING FOREIGN DEBT. THE PURPOSE OF THIS MEASURE WAS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BOGOTA 15921 01 OF 03 121713Z

TO ACCELERATE FOREIGN DEBT PAYMENTS IN ORDER TO DISBURSE THE FIRST TRAUNCH OF THE JUMBO LOAN (639 MILLION DOLLARS WAS DISBURSED IN LATE OCTOBER). AMONG OTHER REQUIREMENTS, COLOMBIA HAD TO BE UP TO DATE WITH ALL ITS FOREIGN PAYMENT OBLIGATIONS TO RECEIVE THE FIRST TRAUNCH OF THE 1 BILLION DOLLAR LOAN. THE INCREASED RATE OF DEBT PAYMENT IS ALSO A MEANS OF STERILIZING COFFEE BONANZA INFLOWS, LOWERING THE RATE OF GROWTH OF RESERVES, AND LOWERING MONETARY GROWTH. THE GOC HAS TO CONTROL MONETARY GRWTH IN THE LAST QUARTER IF IT IS TO AVOID EXCEEDING ITS GROWTH TARGET OF 28 PERCENT.

4. CANO LIMON PRODUCES 17U THOUSAND BARRELS OF CRUDE

Current Class: UNCLASSIFIED

Page: 2

UNCLASSIFIED

UNCLASSIFIED

Current Class: UNCLASSIFIED
Current Handling: n/a
Document Number: 1986BOGOTA15921

Page: 3

Channel: n/a

OIL PER DAY: THE MINISTRY OF MINES IN AUGUST APPROVED AN INCREASE OF 25,000 BPD IN PRODUCTION AT THE CANO LIMON OIL FIELD. IN SEPTEMBER PRODUCTION INCREASED FROM 150 THOUSAND TO 170 THOUSAND BARRELS PER DAY AND HAS BEEN AT THAT LEVEL SINCE PRODUCTION WAS INCREASED TO RECOVER THE LOSSES CAUSED BY DAMAGES TO THE PIPELINE DUE TO NATURAL DISASTERS AND GUERRILLA ATTACKS.

FRANCISCO CHONA PRESIDENT OF ECOPETROL SAID THAT COLOMBIA WILL CONTINUE EXPORTING CRUDE TO UNITED STATES, CHILE AND THE CARIBBEAN REGION. COLOMBIA IS NOW IMPORTING 20-25 THOUSAND BARRELS OF GASOLINE PER DAY DUE TO LIMITED DOMESTIC REFINING CAPACITY. CHONA ALSO ANNOUNCED THAT THE GOC IS ANALYZING THE POSSIBILITIES OF EXCHANGING CRUDES FOR GASOLINE WITH THE CARIBBEN REGION OR EXPORTING CRUDE FOR REFINING AND IMPORTING IT AGAIN. A DECISION WILL BE MADE BEFORE THE YEAR ENDS.

5. GOC ANNOUNCES A DRASTIC AUSTERITY PROGRAM FOR THE
UNCLASSIFIED

NNNN

UNCLASSIFIED

PAGE 01 BOGOTA 15921 02 OF 03 121717Z
ACTION EB-08

INFO LOG-00 COPY-01 ADS-00 AID-00 INR-10 CIAE-00 DODE-00
H-01 EXIM-06 ARA-00 NSAE-00 STRE-00 LAB-04 ITC-01
OPIC-07 OMB-01 STR-17 FRB-01 USIE-00 JUSE-00 SP-02
/059 W -----211020 121904Z /40 38

R 121711Z NOV 86
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC 2559
INFO USDOC WASHDC
DEPTTREAS WASHDC

UNCLAS SECTION 02 OF 03 BOGOTA 15921

DEPT PLS PASS TO USTR FOR BETSY STILLMAN
DEPARTMENT FOR INR/B

E.O. 12356: N/A
TAGS: EPET, EFIN, ECON, ETRD, PINR, CO
SUBJECT: COLOMBIAN ECONOMIC NOTES

Current Class: UNCLASSIFIED

Page: 3

UNCLASSIFIED

UNCLASSIFIED

Current Class: UNCLASSIFIED
Current Handling: n/a
Document Number: 1986BOGOTA15921

Page: 4

Channel: n/a

ELECTRIC SECTOR: MINISTER OF MINES, GUILLERMO PERRY, ANNOUNCED, DURING THE "ENERGY SUMMIT" HELD ON OCTOBER 17-19, A 50 PERCENT INVESTMENT CUT IN THE ELECTRIC SECTOR FOR THE NEXT FOUR YEARS AS PART OF THE ADJUSTMENT PROGRAM OF THAT SECTOR. THE ADJUSTMENT PROGRAM AIMS AT REDUCING ENERGY LOSSES AND THE SECTOR'S FINANCIAL DEFICIT NOW PROJECTED AT 1.2 - 1.3 BILLION DOLLARS OVER THE NEXT FOUR YEARS. HE CRITIZED THE FACT THAT THE ENERGY SECTOR HAS, IN THE PAST 8 TO 10 YEARS, ABSORBED A HIGH PORTION OF EXTERNAL AND INTERNAL INVESTMENT RESOURCES. THE SECTOR IS TODAY RUNNING A SIZEABLE ENERGY GENERATION SURPLUS

THE GOC INVESTMENT PLAN FOR THE SECTOR DOES NOT COMTEMPORATE INITIATING ANY NEW PROJECTS. TOTAL UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BOGOTA 15921 02 OF 03 121717Z

INVESTMENT FOR THE PERIOD 1987-1990 TOTALS 2,283 MILLION DOLLARS: 873 MILLION DOLLARS TO FINISH ONGOING GENERATION PROJECTS; 495 MILLION DOLLARS FOR TRANSMISSION PROJECTS; 665 MILLION FOR SUBTRANSMISSION AND URBAN DISTRIBUTION PROGRAMS; 147 MILLION DOLLARS FOR RURAL ELECTRIFICATION AND 103 MILLION DOLLARS FOR OTHER PROGRAMS. ANNUAL AVERAGE INVESTMENT FOR THE NEXT FOUR YEARS WILL BE AROUND 570 MILLION DOLLARS.

MINISTER PERRY HOPES TO REDUCE THE SECTOR'S DEFICIT TO 1.2 BILLION DOLLARS (NOW 1.6 BILLION DOLLARS). THIS DEFICIT WILL BE FINANCED MOSTLY WITH EXTERNAL RESOURCES. THE GOC IS SEEKING A 1.0 BILLION DOLLARS SECTORIAL LOAN FROM INTERNATIONAL FINANCIAL INSTITUTIONS (300 MILLION DOLLARS FROM THE WORLD BANK, 300 MILLION DOLLARS FROM IDB AND 400 MILLION DOLLARS FROM A POOL OF BANKS). THE REMAINING 600 MILLION DOLLARS WILL BE FINANCED WITH GOC BUDGET RESOURCES (200 MILLION DOLLARS) AND THROUGH NEW DOMESTIC BORROWING (400 MILLION DOLLARS).

ON SEPTEMBER THE 17, MINISTER OF MINES AND THE DIRECTOR OF THE NATIONAL PLANNING DEPARTMENT SENT A LETTER TO THE WORLD BANK EXPRESSING COLUMBIAN INTEREST IN OBTAINING A 1.0 BILLION DOLLAR SECTORIAL LOAN TO FINANCE THE ENERGY SECTOR. WORLD BANK LATIN AMERICAN VICE-PRESIDENT DAVID KNOX CONCURS WITH COLOMBIA'S POSITION OF RESTRUCTURING THE SECTOR AND INTEGRATING THE POLICY OF THE ELECTRICAL SECTOR WITH THE ENERGY

Current Class: UNCLASSIFIED

Page: 4

UNCLASSIFIED

UNCLASSIFIED

Current Class: UNCLASSIFIED
Current Handling: n/a
Document Number: 1986BOGOTA15921

Page: 5
Channel: n/a

SECTOR AND OVERALL MACROECONOMIC POLICY.

6. HEAVY RAINS AFFECTING COLOMBIA: HEAVY RAINS ACROSS THE COUNTRY HAVE DESTROYED MAIN CROPS AND LEFT HUNDREDS OF COLOMBIANS, PARTICULARLY IN BOGOTA, HOMELESS. CROPS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BOGOTA 15921 02 OF 03 121717Z

LIKE COFFEE, BANANAS, RICE, TOBACCO, WHEAT, CORN AND AGRICULTURE PRODUCTION IN GENERAL HAVE REGISTERED LOSSES. HIGHWAYS AND BRIDGES ARE BLOCKED BY LAND SLIDES AND FLOODING OF MAIN RIVERS INCLUDING THE MAGDALENA, LEBRIJA, SINU, AND SAN JORGE. TRANSPORTATION TO AND FROM MAIN CITIES HAS BEEN TEMPORARILY CLOSED ESPECIALLY IN THE NORTH EAST, SOUTH EAST AND CENTRAL PART OF THE COUNTRY (PRINCIPALLY IN THE DEPARTMENTS OF CALDAS, TOLIMA, QUINDIO, GUAJIRA, MAGDALENA, BOLIVAR, CESAR, NORTE DE SANTANDER, SANTANDER AND ANTIOQUIA.) RAINFALLS ARE LIKELY TO CONTINUE UNTIL EARLY DECEMBER. THE DELAY IN HARVESTING CROPS LED TO A SPURT IN INFLATION IN OCTOBER.

7. YEN CREDIT FOR ECOPEROL: THE GOC HAS AUTHORIZED ECOPEROL TO CONTRACT A 20.0 BILLION YEN CREDIT FROM A POOL OF BANKS HEADED BY THE INDUSTRIAL BANK OF JAPAN. THIS CREDIT WILL FINANCE IMPORTS OF GOODS AND SERVICES FROM THE U.S. UNDER THE RIO ZULIA-COVENAS PIPELINE AND THE COVENAS PORT PROJECTS. THE CREDIT WILL HAVE AN INTEREST RATE OF 0.2 PERCENT ABOVE THE LONG TERM JAPANESE PREFERENTIAL RATE AND A MATURITY OF 8 YEARS. THE YEN CREDIT HAS OBTAINED A U.S. EXPORT-IMPORT BANK GUARANTEE ALLOWING IMPORTERS TO FINANCE U.S. PRODUCTS WITH YEN RESOURCES.

8. GOC PRESENTS TAX REFORM BILL TO CONGRESS: ON OCTOBER 21, THE GOC PRESENTED A TAX REFORM BILL TO CONGRESS. THE PROPOSAL IS DESIGNED TO BE INCOME AND ADVANTAGE NEUTRAL. THE CENTRAL ISSUES OF THE TAX BILL ARE THE ELIMINATION OF PERSONAL DEDUCTIONS, THE TAXATION OF FRINGE BENEFITS AND A TAX AMNESTY FOR PAST TAX EVASION. TAX AMNESTY WILL APPLY TO TAX EVASION THROUGH ANY MEANS INCLUDING CAPITAL FLIGHT. CAPITAL FLIGHT RETURNING TO COLOMBIA WILL NOT BE SUBJECT TO

UNCLASSIFIED

Current Class: UNCLASSIFIED

Page: 5

UNCLASSIFIED

UNCLASSIFIED

Current Class: UNCLASSIFIED
Current Handling: n/a
Document Number: 1986BOGOTA15921

Page: 6

Channel: n/a

UNCLASSIFIED

PAGE 04 BOGOTA 15921 02 OF 03 121717Z

UNCLASSIFIED

NNNN

UNCLASSIFIED

PAGE 01 BOGOTA 15921 03 OF 03 121717Z
ACTION EB-08

INFO LOG-00 COPY-01 ADS-00 AID-00 INR-10 CIAE-00 DODE-00
H-01 EXIM-06 ARA-00 NSAE-00 STRE-00 LAB-04 ITC-01
OPIC-07 OMB-01 STR-17 FRB-01 USIE-00 JUSE-00 SP-02
/059 W

-----211034 121905Z /40 38

R 121711Z NOV 86
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC 2560
INFO USDOC WASHDC
DEPTTREAS WASHDC

UNCLAS SECTION 03 OF 03 BOGOTA 15921

DEPT PLS PASS TO USTR FOR BETSY STILLMAN
DEPARTMENT FOR INR/B

E.O. 12356: N/A

TAGS: EPET, EFIN, ECON, ETRD, PINR, CO
SUBJECT: COLOMBIAN ECONOMIC NOTES

INVESTIGATION BECAUSE OF ITS ILLEGAL EXPORT. IF IT IS
LINKED IN ANY WAY TO OTHER ILLEGAL ACTIVITY, THE GOC
HAS SAID THAT IT WILL BE INVESTIGATED. IT IS LIKELY
THAT SOME NARCO DOLLARS WILL ENTER THE COUNTRY UNDER
THIS PROVISION. THE BILL HAS A LONG WAY TO GO BEFORE
BECOMING LAW. CONGRESSIONAL REVIEW AND EDITING IS
EXPECTED.

SKOL

UNCLASSIFIED

NNNN

Current Class: UNCLASSIFIED

Page: 6

UNCLASSIFIED